San Diego-based Qualcomm announces 4,700 layoffs

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Qualcomm Incorporated, a San Diego-based semiconductor company heavily involved in the smartphone market, announced 4,700 layoffs and other restructuring measures on July 22. This was in addition to thousands of other US layoffs announced this month, including technology giant Xerox and Mitsubishi Motors.

Qualcomm—which is the largest producer of LTE chips used in smartphones—plans on cutting $1.4 billion in expenses, including about 15 percent of its global workforce.

The stated reason for the restructuring is a dramatic drop in profits, to $1.2 billion in the third quarter of this year, down from $2.2 billion in the third quarter of last year. Forecasts for next quarter are even worse, with earnings per share expected to decrease by more than 35 percent.

Analysts attributed these losses to a settlement of almost $1 billion to the Chinese National Development and Reform Commission over monopolistic conduct and the loss of Samsung's business for the Galaxy smartphone line. Samsung decided to use an in-house processor for the Galaxy S6 rather than Qualcomm's Snapdragon 810.

This comes only a month after Jing Wang, Qualcomm's former president of global business operations and former executive vice president, was sentenced to 18 months in prison and a half-million-dollar fine for insider trading, money laundering and obstruction of justice.

Several other companies also announced mass layoffs recently, including Xerox (3,000 globally), Haggen (700-800 in southern California), Anglo-American (6,000 globally), Newport News Shipbuilding (up to 1,500 in Newport News, Virginia this year), Mitsubishi (1,200 at a plant in Normal, Illinois) and Barclays (more than 30,000 globally over the next two years).

Xerox, the copier and document giant, is "in a near-permanent state of restructuring," according to Brighton Securities Chairman George T. Conboy, who is also an investor in Xerox. The company had been seeking to move into the business service industry, helping to outsource business processes. Currency headwinds and several false starts have caused the company to pare back some of these plans.

Conboy also pointed out that Xerox has spent over $600 million in stock repurchases since the beginning of 2015, even as the stock lost value. Essentially, the company increased its debt by $50 million buying back a falling stock. "They threw their money down a rat hole … what are you doing with your capital? Do you have no better use of the capital than to buy back stock? It doesn't make sense."

Technology giant Microsoft announced 7,800 layoffs less than three weeks ago, indicating that the Qualcomm and Xerox layoffs are part of a trend in the technology sector and the economy as a whole.

Last week Mitsubishi announced plans to sell its 2.4 million-square-foot auto plant in Normal, Illinois after decreased sales, particularly of the i-MiEV, Mitsubishi's electric car. Illinois has given almost $30 million in tax incentives to Mitsubishi to maintain production in the state even as several car lines were discontinued at the factory. In 2010, the UAW agreed to a $1.60/hour wage cut to keep the plant "competitive."

The job cuts at Haggen, a grocery chain based in Washington, are the second round of layoffs in eight months. The grocery chain is cutting staff at its California stores after buying 146 Albertsons stores on the West Coast.

The layoffs in Newport News, a Virginian shipyard, come after workers are finishing several long-term projects. Three aircraft carriers are leaving the shipyard over the next year and a half. In addition to the layoffs, Newport News will cut a tuition reimbursement program and outside training not required for workers' jobs.

Newport News is a division of Huntington Ingalls Industries, which is Virginia's largest industrial employer, with over 23,000 workers. For now, the company claims that it will not make changes to workers' pension plans.

International banking giant Barclays, based in London, plans to cut more than 30,000 jobs according to the *New York Times*. Executive Chairman John McFarlane—known as "Mac the Knife" for his experience in restructuring other financial institutions—emphasized cutting Barclays' cost-to-income ratio. The job cuts required to get this ratio below its present level of 60 percent will likely come primarily from middle and back office services.

The total announced layoffs in the United States for the month of July so far is approximately 16,000.

Even as jobs are being axed by the thousands, companies are engaging in stock buybacks and other parasitic financial activities. American corporations alone are sitting on about $1.4 trillion in cash, but refuse to productively invest. As a result, US economic growth has largely come to a standstill in the first half of the year, with gross domestic product growing by just .2 percent in the first quarter.